

ORDER NO. 4108

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

Robert G. Taub, Chairman;
Mark Acton, Vice Chairman;
Tony Hammond; and
Nanci E. Langley

Competitive Product Prices
Parcel Select Contract 20 (MC2017-78)
Negotiated Service Agreements

Docket No. CP2017-105

ORDER APPROVING AMENDMENT TO
PARCEL SELECT NEGOTIATED SERVICE AGREEMENT

(Issued September 21, 2017)

I. INTRODUCTION

The Postal Service seeks to amend a Parcel Select negotiated service agreement.¹ For the reasons discussed below, the Commission approves the Amendment.

¹ Notice of United States Postal Service of Amendment to Parcel Select Contract 20, with Portions Filed Under Seal, September 19, 2017 (Notice). The amendment is an attachment to the Notice (Amendment).

In Order No. 3759, the Commission approved the Parcel Select Contract 20 negotiated service agreement (Existing Agreement).² On September 19, 2017, the Postal Service filed notice that it has agreed to the Amendment to the Existing Agreement.

The Postal Service intends for the Amendment to become effective two business days after the date that the Commission completes its review of the Notice. Notice at 1.

II. COMMISSION ANALYSIS

The Commission has reviewed the Notice and the accompanying materials filed under seal.

Cost considerations. The Commission reviews competitive product prices to ensure that each product covers its attributable costs, does not cause market dominant products to subsidize competitive products, and contributes to the Postal Service's institutional costs. 39 U.S.C. § 3633(a); 39 C.F.R. §§ 3015.5 and 3015.7. As long as the revenue generated by the product exceeds its attributable costs, the product is unlikely to reduce the contribution of competitive products as a whole or to adversely affect the ability of competitive products as a whole to contribute an appropriate share of institutional costs. In other words, if a product covers its attributable costs, it is likely to comply with 39 U.S.C. § 3633(a).

The Amendment delays the implementation of volume-based tiered pricing and corrects an error on the table listing the start and end dates of each contract quarter. Notice, Attachment A at 2. Additionally, the Amendment extends the term of the contract from two years to four years and makes a slight change to the wording of the provision governing potential extensions. *Id.* at 3.

² See Docket Nos. MC2017-78 and CP2017-105, Order Adding Parcel Select Contract 20 to the Competitive Product List, January 26, 2017 (Order No. 3759). The contract was later amended. See Order No. 3820, Order Approving Amendment to a Parcel Select Negotiated Service Agreement, March 21, 2017.

The Amendment does not materially affect the underlying financial analysis of the Existing Agreement. Thus, the Commission finds that the Existing Agreement, as amended, comports with the provisions applicable to rates for competitive products in 39 U.S.C. § 3633(a) and 39 C.F.R. § 3015.7.

Other considerations. The Postal Service states that the Amendment shall become effective two business days after the date that the Commission completes its review. Notice at 1. The Existing Agreement, as amended, is set to expire four years after the initial effective date unless, among other things, either party terminates the contract with 90 days' written notice to the other party or it is renewed by mutual agreement.³ If the Existing Agreement, as amended, is terminated prior to the revised expiration date of January 29, 2021, the Postal Service shall promptly notify the Commission.

In conclusion, the Commission approves the Existing Agreement, as amended.

III. ORDERING PARAGRAPHS

It is ordered:

1. The Commission approves the Parcel Select Contract 20 negotiated service agreement, as amended.
2. The Postal Service shall notify the Commission if the Existing Agreement, as amended, terminates prior to the revised expiration date, January 29, 2021.

By the Commission.

Stacy L. Ruble
Secretary

³ *Id.* Attachment A at 3. Should both parties agree to renew the agreement, any such renewal is required to follow the requirements of 39 U.S.C. § 3633 and the Commission's implementing regulations of 39 C.F.R. part 3015.